

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

--	--	--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BFN2224 – FINANCIAL MARKETS AND INSTITUTIONS
(All sections / Groups)

23 OCTOBER 2017
9.00a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages with 4 Questions only.
2. Attempt ALL questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

Financial market is a market in which people trade financial securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand.

- a. Is liberalization of financial markets good for economy? (8 marks)
- b. Discuss the development of global financial market. (7 marks)
- c. Explain three factors of a bond that influence interest rate. (6 marks)
- d. One year interest rates over the next six years are expected to be 7%, 5%, 6%, 7%, 8% and 7%. What are the interest rates on a two-year bond and six-year bond? (4 marks)

QUESTION 2 (25 MARKS)

Bank Negara Malaysia (Central Bank) has played important roles for Malaysia development.

- a. Discuss the roles of Bank Negara Malaysia (Central Bank). (10 marks)
- b. Critically evaluate and discuss whether Bank Negara Malaysia should be decentralized and independent. (10 marks)
- c. Explain Fiat money and its application to modern banking system. (5 marks)

QUESTION 3 (25 MARKS)

In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics.

- a. What is financial crisis? (3 marks)
- b. Discuss six (6) factors of financial crisis which had occurred in the emerging market. (12 marks)

Continued ...

- c. Discuss three (3) strategies used by the Malaysian government to stabilize the Malaysian economy during the financial crisis 1997-1998.

(10 marks)

QUESTION 4 (25 MARKS)

Mutual funds and derivatives are important instruments in the era of globalization.

- a. Discuss the benefits of investing in mutual funds. (10 marks)

- b. Explain the features of mutual funds. (10 marks)

- c. Describe two (2) types of derivative contracts. (5 marks)

End of Page